

Newport Hills Community Association

DATE: NOVEMBER 10, 2018

TO: NEWPORT HILLS COMMUNITY ASSOCIATION MEMBERS

FROM: THE BOARD OF DIRECTORS
NEWPORT HILLS COMMUNITY ASSOCIATION

SUBJECT: 2019 FISCAL YEAR BUDGET & ATTACHMENTS

In compliance with California Civil Code requirements, attached please find the Association's Annual Policy Statement and following information:

- a) **2019 Fiscal Year Budget**
- b) **Reserve Study as of July 2, 2018**
- c) **2019 Assessment Collection Policy**
- d) **Notice of Summary of Alternative Dispute Resolution Procedures**
- e) **Current Insurance Notification**
- f) **Assessment & Reserve Funding Disclosure Summary**
- g) **Notice of Summary of Architectural Control Procedures**
- h) **Notice of the Discipline Policy, if any, including any schedule of penalties for violations of the governing documents pursuant to Civil Code section 5850.**
- i) **The name and address of the person designated to receive official communications to the association, pursuant to Civil Code section 4035.**
- j) **A statement explaining that a member may submit a request to have notices sent to up to two different specified addresses, pursuant to subdivision (b) of Civil Code section 4040.**
- k) **The location, if any, designated for posting of a general notice, pursuant to paragraph (3) of subdivision (a) of Civil Code section 4045.**
- l) **Notice of a member's option to receive general notices by individual delivery, pursuant to subdivision (b) of Civil Code section 4045.**
- m) **Notice of a member's right to receive copies of meeting minutes, pursuant to subdivision (b) of Civil Code section 4950.**
- n) **The mailing address for overnight payment of assessments, pursuant to Civil Code section 5655.**

The Budget reflects the efforts of the Newport Hills Community Association Board of Directors to preserve, protect, and enhance the facilities and common area, while keeping expenditures in line.

After reviewing the Association's fiscal responsibilities the Board of Directors has determined that no increase in assessments is required this year. Therefore, effective January 1, 2019 the assessment rate will remain the same, and will be \$1,308.00 per home annually, or \$654.00 semi-annually, due on January 1st and July 1st of each year.

On July 2, 2018 Advanced Reserve Solutions, an independent reserve analyst reviewed the funding program for the association and provided recommendations for future reserve funding. A copy of the Reserve Study Summary is enclosed for your review. The Board will fund reserves to repair or replace major components by way of assessments; no borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms is anticipated at this time.

The board has not determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less.

The Board does not anticipate that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefore. However, in the event of an emergency or should unforeseen circumstances arise which require funds, in excess of those currently available, a Special Assessment may be required to fulfill the Association's obligations.

The association does not have any outstanding loans.

If you would like to receive copies of the minutes of the Board of Directors meetings, and/or a complete copy of the Reserve Study for a nominal fee, or should you have any questions regarding the 2019 fiscal year budget, please contact the Association at (949) 721-1929.

**NEWPORT HILLS COMMUNITY ASSOCIATION
2019 APPROVED BUDGET**

GL CODE	DESCRIPTION	2018 APPROVED BUDGET	2019 APPROVED BUDGET	COST PER UNIT SEMI-ANNUALLY
<u>INCOME</u>				
1010	Homeowners Dues	\$ 695,856.00	\$ 695,856.00	\$ 654.00
1020	Key Income	\$ 1,650.00	\$ 1,650.00	\$ 1.55
1030	Late Charges	\$ 2,500.00	\$ 2,500.00	\$ 2.35
1050	Legal/Lien Income	\$ 1,000.00	\$ 1,000.00	\$ 0.94
1060	Architectural Escrow Inspections	\$ 3,000.00	\$ 4,000.00	\$ 3.76
1080	Recreation Center Rental	\$ 14,000.00	\$ 14,000.00	\$ 13.16
1171	Interest Reserves	\$ 500.00	\$ 500.00	\$ 0.47
1172	Interest Operating	\$ -	\$ -	\$ -
1180	Swim Program Income	\$ 4,000.00	\$ 4,000.00	\$ 3.76
1189	Non- Resident Swim Team	\$ 4,000.00	\$ 4,000.00	\$ 3.76
TOTAL INCOME:		\$ 726,506.00	\$ 727,506.00	\$ 683.75
<u>EXPENSES- UTILITIES</u>				
2010	Electric	\$ 24,000.00	\$ 28,000.00	\$ 26.32
2020	Gas	\$ 46,000.00	\$ 41,000.00	\$ 38.53
2030	Water	\$ 48,000.00	\$ 43,000.00	\$ 40.41
2040	Phone	\$ 3,500.00	\$ 3,600.00	\$ 3.38
2041	Cable	\$ 1,600.00	\$ 1,600.00	\$ 1.50
2042	Internet	\$ 1,200.00	\$ 1,100.00	\$ 1.03
2050	Alarm	\$ 1,200.00	\$ 1,200.00	\$ 1.13
2060	Cameras- Clubhouse	\$ 1,920.00	\$ 1,920.00	\$ 1.80
2070	Trash	\$ 5,000.00	\$ 5,000.00	\$ 4.70
TOTAL EXPENSES:		\$ 132,420.00	\$ 126,420.00	\$ 118.82
<u>EXPENSES- MAINTENANCE</u>				
3010	Landscape Maintenance	\$ 80,000.00	\$ 80,000.00	\$ 75.19
3011	Landscape Materials/Supplies	\$ 7,000.00	\$ 7,000.00	\$ 6.58
3016	Landscape Trees & Shrubs	\$ 10,000.00	\$ 10,000.00	\$ 9.40
3018	Landscape Irrigation	\$ 3,000.00	\$ 3,000.00	\$ 2.82
3020	Landscape Upgrade Project	\$ 5,000.00	\$ 5,000.00	\$ 4.70
3069	Guard Shack/Clubhouse Maint.	\$ 600.00	\$ 600.00	\$ 0.56
3070	Custodial Contract	\$ 26,400.00	\$ 28,508.00	\$ 26.79
3071	Custodial Supplies	\$ 2,200.00	\$ 2,200.00	\$ 2.07
3072	Carpet Cleaning	\$ 400.00	\$ 400.00	\$ 0.38
3075	Clubhouse Security	\$ 5,000.00	\$ 5,000.00	\$ 4.70
3130	Pool Service	\$ 17,000.00	\$ 16,120.00	\$ 15.15
3135	Pool Repairs & Supplies	\$ 9,000.00	\$ 7,000.00	\$ 6.58
3136	Pool Chemicals	\$ 12,000.00	\$ 11,000.00	\$ 10.34
3170	Pest Control	\$ 720.00	\$ 1,000.00	\$ 0.94
3200	Dog Bag Dispensers	\$ 3,240.00	\$ 3,240.00	\$ 3.05
3205	Lifeguard Supplies	\$ 1,000.00	\$ 1,000.00	\$ 0.94
3210	Common Area Repairs & Supplies	\$ 12,000.00	\$ 12,000.00	\$ 11.28
3320	Locks & Keys	\$ 500.00	\$ 500.00	\$ 0.47
3330	Signs	\$ 250.00	\$ 250.00	\$ 0.23

**NEWPORT HILLS COMMUNITY ASSOCIATION
2019 APPROVED BUDGET**

GL CODE	DESCRIPTION	2018 APPROVED BUDGET	2019 APPROVED BUDGET	COST PER UNIT SEMI-ANNUALLY
3365	Holiday Decorations	\$ 2,450.00	\$ 2,450.00	\$ 2.30
3366	Lighting Maintenance	\$ 3,600.00	\$ 3,600.00	\$ 3.38
3600	Halloween Security	\$ 400.00	\$ 400.00	\$ 0.38
3700	Storm Drain Maintenance	\$ 1,500.00	\$ 1,500.00	\$ 1.41
3990	Miscellaneous	\$ 500.00	\$ 500.00	\$ 0.47
TOTAL MAINTENANCE EXPENSES:		\$ 203,760.00	\$ 202,268.00	\$ 190.10

EXPENSES- ADMINISTRATIVE

4021	California Franchise Tax	\$ 50.00	\$ 50.00	\$ 0.05
4022	Federal Income Tax	\$ -	\$ -	\$ -
4030	Insurance Liability/Property	\$ 12,500.00	\$ 14,260.00	\$ 13.40
4033	Workmans Comp Insurance	\$ 12,000.00	\$ 12,000.00	\$ 11.28
4035	Earthquake Insurance	\$ 3,600.00	\$ 3,200.00	\$ 3.01
4040	Licenses- Permits & Fees	\$ 2,000.00	\$ 1,400.00	\$ 1.32
4045	Pool Key Deposit Reimbursement	\$ 500.00	\$ 500.00	\$ 0.47
4050	Legal/Lien Expense	\$ 1,000.00	\$ 1,000.00	\$ 0.94
4090	Employers Payroll Tax	\$ 15,000.00	\$ 14,700.00	\$ 13.82
4092	Payroll Administrative Overhead	\$ 2,100.00	\$ 2,400.00	\$ 2.26
4100	Bank Charges	\$ 400.00	\$ 400.00	\$ 0.38
4140	Audit & Tax Preparation	\$ 2,750.00	\$ 2,750.00	\$ 2.58
4142	Reserve Studay	\$ 700.00	\$ 700.00	\$ 0.66
4150	Legal	\$ 10,500.00	\$ 10,500.00	\$ 9.87
4220	Management Contract	\$ 70,000.00	\$ 73,500.00	\$ 69.08
4225	Clubhouse/Pool Management	\$ 33,000.00	\$ 30,000.00	\$ 28.20
4251	Storage	\$ 1,200.00	\$ 1,200.00	\$ 1.13
4260	Courier Service	\$ 960.00	\$ 500.00	\$ 0.47
4270	Newsletter	\$ 4,800.00	\$ 3,000.00	\$ 2.82
4283	Office Supplies	\$ 9,000.00	\$ 10,000.00	\$ 9.40
4290	Social/Welcome	\$ 4,000.00	\$ 4,000.00	\$ 3.76
4330	Payroll- Lifeguards	\$ 20,000.00	\$ 20,000.00	\$ 18.80
4500	Spring Clean Up	\$ 1,000.00	\$ 1,000.00	\$ 0.94
4990	Miscellaneous	\$ 500.00	\$ 500.00	\$ 0.47
TOTAL ADMINISTRATIVE:		\$ 207,560.00	\$ 207,560.00	\$ 195.08

RESERVES

8010	Member Contribution	\$ 182,766.00	\$ 191,258.00	\$ 179.75
8993	Reserve Interest	\$ -	\$ -	
8994	Pool Deck Replacement	\$ -	\$ -	
TOTAL RESERVES:		\$ 182,766.00	\$ 191,258.00	\$ 179.75

TOTAL INCOME:	\$ 726,506.00	\$ 727,506.00	\$ 683.75
TOTAL EXPENSES:	\$ 726,506.00	\$ 727,506.00	\$ 683.75
NET SURPLUS/(DEFICIT)	\$ -	\$ -	\$ -

Newport Hills Community Association

Executive Summary

Component Calculation Method

Client Information:

Account Number	03892
Version Number	1
Analysis Date	7/2/2018
Fiscal Year	1/1/2019 to 12/31/2019
Number of Units	532
Phasing	1 of 1

Global Parameters:

Inflation Rate	2.50 %
Annual Contribution Increase	2.50 %
Investment Rate	1.50 %
Taxes on Investments	30.00 %
Contingency	3.00 %

Community Profile:

The original construction date of this facility was approximately 1971. The clubhouse was completely rebuilt in approximately July 2004. For budgeting purposes, unless otherwise indicated, we have used July 1971 as the average placed-in-service date for aging any original components, and July 2004 for aging all components associated with the clubhouse.

ARS site visits conducted: August 10, 2016, July 24, 2013, August 15, 2012, May 26, 2009, July 13, 2006, September 16, 2004, April 2002 & April 1999

Adequacy of Reserves as of January 1, 2019:

Anticipated Reserve Balance	\$1,232,945.00
Fully Funded Reserve Balance	\$1,239,602.09
Percent Funded	99.46%

Recommended Funding for the 2019 Fiscal Year:

	Annual	Monthly	Per Unit Per Month
Member Contribution	\$181,738	\$15,144.81	\$28.47
Interest Contribution	\$9,520	\$793.33	\$1.49
Total Contribution	\$191,258	\$15,938.14	\$29.96

Newport Hills Community Association
Membership Disclosure Summary
Sorted by Category

Major Reserve Components	Current Cost	Assigned Reserves	Remaining Life Range	Useful Life Range
010 Roofs	\$75,848	\$62,845	3	18
020 Painting	\$46,222	\$22,898	0-5	3-8
030 Lighting	\$35,340	\$17,583	3-15	12-20
040 Fencing	\$315,224	\$258,472	0-14	14-52
050 Pool Area	\$474,290	\$194,760	0-24	3-30
060 Clubhouse	\$424,453	\$304,755	0-11	3-20
100 Grounds	\$738,260	\$333,418	0-19	10-20
120 Guardhouse	\$2,600	\$2,303	0-2	4-10
Contingency	n.a.	\$35,911	n.a.	n.a.
Total	\$2,112,237	\$1,232,945	0-24	3-52

Newport Hills Community Association

Projections

Component Calculation Method

Fiscal Year	Beginning Balance	Member Contribution	Interest Contribution	Expenditures	Ending Balance	Fully Funded Ending Balance	Percent Funded
2019	\$1,232,945	\$181,738	\$9,520	\$413,772	\$1,010,431	\$995,378	102%
2020	\$1,010,431	\$177,803	\$11,212	\$29,069	\$1,170,376	\$1,155,176	101%
2021	\$1,170,376	\$177,349	\$12,842	\$34,318	\$1,326,249	\$1,317,740	101%
2022	\$1,326,249	\$189,109	\$10,279	\$438,499	\$1,087,139	\$1,062,099	102%
2023	\$1,087,139	\$177,113	\$11,565	\$72,030	\$1,203,786	\$1,192,370	101%
2024	\$1,203,786	\$193,704	\$9,827	\$360,974	\$1,046,344	\$1,024,486	102%
2025	\$1,046,344	\$200,831	\$10,448	\$147,912	\$1,109,712	\$1,081,680	103%
2026	\$1,109,712	\$199,800	\$12,547	\$11,887	\$1,310,172	\$1,288,606	102%
2027	\$1,310,172	\$203,892	\$14,295	\$48,523	\$1,479,836	\$1,466,827	101%
2028	\$1,479,836	\$216,550	\$16,047	\$57,966	\$1,654,467	\$1,644,455	101%
2029	\$1,654,467	\$224,810	\$16,095	\$231,780	\$1,663,591	\$1,647,819	101%
2030	\$1,663,591	\$225,250	\$17,087	\$147,082	\$1,758,847	\$1,745,846	101%
2031	\$1,758,847	\$236,913	\$18,070	\$154,525	\$1,859,306	\$1,843,753	101%
2032	\$1,859,306	\$238,734	\$19,559	\$114,660	\$2,002,939	\$1,991,630	101%
2033	\$2,002,939	\$248,466	\$18,795	\$335,188	\$1,935,012	\$1,915,874	101%
2034	\$1,935,012	\$245,290	\$16,633	\$470,693	\$1,726,242	\$1,700,873	101%
2035	\$1,726,242	\$245,636	\$15,631	\$357,134	\$1,630,375	\$1,606,238	102%
2036	\$1,630,375	\$253,057	\$16,513	\$181,037	\$1,718,907	\$1,701,149	101%
2037	\$1,718,907	\$268,513	\$18,072	\$128,897	\$1,876,595	\$1,859,626	101%
2038	\$1,876,595	\$274,816	\$18,112	\$285,689	\$1,883,834	\$1,862,823	101%
2039	\$1,883,834	\$278,277	\$18,922	\$217,702	\$1,963,332	\$1,944,335	101%
2040	\$1,963,332	\$294,896	\$19,998	\$202,832	\$2,075,394	\$2,050,203	101%
2041	\$2,075,394	\$291,003	\$22,546	\$71,617	\$2,317,325	\$2,304,033	101%
2042	\$2,317,325	\$311,152	\$23,525	\$229,917	\$2,422,085	\$2,404,038	101%
2043	\$2,422,085	\$312,977	\$21,856	\$493,735	\$2,263,183	\$2,235,115	101%
2044	\$2,263,183	\$316,675	\$20,743	\$442,038	\$2,158,563	\$2,123,854	102%
2045	\$2,158,563	\$312,881	\$22,720	\$148,313	\$2,345,850	\$2,327,400	101%
2046	\$2,345,850	\$337,377	\$20,206	\$585,051	\$2,118,382	\$2,082,625	102%
2047	\$2,118,382	\$331,998	\$21,766	\$207,297	\$2,264,848	\$2,238,412	101%
2048	\$2,264,848	\$347,376	\$23,631	\$184,006	\$2,451,849	\$2,430,747	101%

NOTE: In some cases, the projected Ending Balance may exceed the Fully Funded Ending Balance in years following high Expenditures. This is a result of the provision for contingency in this analysis, which in these projections is never expended. The contingency is continually adjusted according to need and any excess is redistributed among all components included.

Newport Hills Community Association 2019 Assessment Collection Policy

The Board of Directors of your Association has the obligation to oversee the collection of all Association regular and special assessments in a timely manner. Based upon the Association's Governing Documents and in compliance with California Civil Code requirements, the Board of Directors has enacted the following policies and procedures concerning the collection of delinquent assessment accounts. All collection costs incurred are charged to the account of the delinquent homeowner, and are subject to change.

Regular Assessment Due Date

First day of each and every Semi-Annual period: January 1st and July 1st. **Association statements are sent to homeowners as a courtesy reminder. Courtesy statements are only mailed to the primary address for each lot.** Funds should be made payable to Newport Hills Community Association and mailed to 1900 Port Carlow Place, Newport Beach, California 92660

Special Assessment Due Date

On date specified by Board of Directors in notice imposing the assessment. (Due date: Minimum thirty (30) days after assessment imposed.)

Courtesy Invoices and Homeowner's Responsibility

The Association Semi-Annual Statements are a **courtesy only**. It is the homeowner's responsibility to pay **each Semi-Annual** Assessment in the amount of \$654.00 on the **first day of January and July 2019, regardless of the receipt of the Semi-Annual Statement**. It is also the homeowner's responsibility to provide **written** notice of any changes in the billing address, and/or change(s) in ownership of the property. This written notice(s) needs to be mailed to Newport Hills Community Association, 1900 Port Carlow Place, Newport Beach, California 92660.

Payment Receipts/Overnight Payment Location

Owners can request a receipt from the Association which shall indicate the date of payment and the person who received it. Any request for a receipt of payment must be submitted directly to the Association, 1900 Port Carlow Place, Newport Beach, California 92660.

Overnight payments may be sent to Newport Hills Community Association, 1900 Port Carlow Place, Newport Beach, California 92660. Correspondence and/or payments may also be left in the mail box located in the front of the clubhouse, 1900 Port Carlow Place, Newport Beach, California 92660.

Returned Bank Items

All returned bank items will be subject to a \$25.00 Returned Bank Item Fee. All returned bank items that remain unpaid will be referred to the District Attorney's Office.

At 15 Days Past Due Date

A late charge of **\$10.00 or 10% whichever is greater** will be assessed on the delinquent assessment. The late charge for 2019 will be \$65.40.

Newport Hills Community Association
2019 Assessment Collection Policy
At 30 Days Past Due Date

Interest shall be imposed on all sums due, including assessments, collection costs, and late charges, at an annual rate of 12%. Interest will be applied when turned over to the Attorney for collection.

Special assessments payable in installments which are delinquent more than thirty (30) days will be accelerated and the entire unpaid balance of the special assessment is due and payable immediately. Remaining balance subject to late charges and interest as provided above.

At 45 Days Past Due Date

Pre-lien letter via first class mail and certified mail, **must be sent to each individual owner of record and their authorized agent, if any**, itemizing all amounts due, along with a copy of this Assessment collection policy.

Pre-Lien Notification Fee Schedule:

First Two (2) Owners- Property Address \$115.00

First Two (2) Owners- Off Site Property Address \$95.00

Any additional Two Owners- Property Address \$95.00

Any additional Two Owners- Off Site Property Address \$95.00

Authorized Agent- \$95.00

Prior to the recording of a lien, homeowners that are delinquent will be sent a “pre-lien” letter. The pre-lien letter will include an offer by the association to engage in informal dispute resolution upon receipt of a written request from the homeowners of record within thirty (30) days of the pre-lien letter, pursuant to the association’s meet and confer program required by *Civil Code* Section 5900, et seq.

"IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT INTERVENTION."

You have the right to inspect the Association's records pursuant to Civil Code section 5205. You have the right to request a meeting before the Board of Directors to discuss a payment plan. If it is determined that your assessments were paid on time to the Association, you will not be liable to pay the charges, interest, and costs of collection.

Any payments made by you toward the debt set forth in your statement shall first be applied to the assessments owed, and only after assessments owed are paid in full, shall payments be applied to the fees and costs of collection, attorney’s fees, late charges or interest.

If it is determined that your assessments were in fact paid on time to the Association, you will not be liable to pay the various charges, interests and costs of collection.

You have the right to request a meeting with the Board of Directors, if you dispute the debt set forth in your statement. To do this you must submit to the Board of Directors a written explanation of the reasons for your dispute. The Board of Directors will respond to you within fifteen (15) days of the postmark of your explanation.

You also have the right to submit a written request to meet with the Board of Directors to discuss a payment plan for the debt set forth in your statement. The Board of Directors will meet with you in executive session within forty-five (45) days of the postmark of your request, if your request is mailed within fifteen (15) days of the date of the postmark of your Pre-Lien Notice.

Newport Hills Community Association

2019 Assessment Collection Policy

Payment Plan Policy

Request by homeowners for payment plans to cure assessment delinquencies will be considered by the Association on a case-by-case basis. There is no guarantee written or implied that a payment plan will be granted. The Association has sole discretion whether to approve a requested payment plan. The submission of a payment plan request to the Association does not delay collection proceedings, does not constitute a waiver by the Association of any default, and does not relieve the owner of the obligation to pay all assessments, late charges, collection costs, and interest when due. The homeowner must submit the request in writing, and not later than fifteen (15) days of receipt of a Pre-Lien letter. The homeowner should describe in the request any circumstances, which the owner wishes the association to consider. The homeowner should also attach to the proposed payment plan a check for the amount of the first payment as proposed in the payment plan. If the owner wishes to submit a payment plan request after the owner has been contacted by the Association's attorney regarding the delinquent account, the request for a payment plan with all attachments should be remitted by the owner directly to the attorney. Owners are reminded that the regular monthly assessment themselves constitute a "payment plan," and the best plan is to pay all assessments when due so the Association will at all times have proper funding to maintain the common area.

Payment Plan Monitoring Fee of **\$10.00** will be due and payable for every month that the payment plan is in effect.

At 75 Days Past Due Date

Prior to recording of a lien, the Board of Directors will approve the recording of the lien in open session at a regular or special board meeting.

Title search will be conducted, Request for Notice of Sale and a Notice of Delinquent Assessment covering all delinquent sums, late charges, and reasonable collection fees will be recorded in the County of Orange Recorders Office. Recording this notice creates a lien, which is subject to foreclosure, against the delinquent owner's property. A copy of the Lien Notice will be sent via first class mail and certified mail to all owners of record.

The following cost and expenses will be charged to the Homeowner's account, upon the recording of a Notice of Delinquent Assessment:

- 1) All recording fees, as charged by the Orange County Recorder's Office.
- 2) Title Search fee, as charged by the Title Company.
- 3) The Request for Notice (\$40.00 for each loan of record, plus recording cost as stated in item #1).
- 4) Preparing and process, Notice of Delinquent Assessment is \$350.00.

Foreclosure

The association may not foreclose unless delinquent assessments are greater than \$1,800 or greater than one year in arrears.

Prior to commencing foreclosure, the association will offer to engage in informal dispute resolution upon receipt of a written request from the homeowner of record within thirty (30) days of the offer of such informal dispute resolution, pursuant to the association's meet and confer program required by *Civil Code* Section 5900, et seq. and will also offer to engage in formal alternative dispute resolution with a neutral third party pursuant to *Civil Code* section 5925, et seq.

Newport Hills Community Association *2019 Assessment Collection Policy*

Prior to commencement of foreclosure, the Board of Directors will approve the foreclosure in executive session and note the approval in the regular minutes of the association without identification of the name of the individual.

All foreclosures shall be subject to a ninety (90) day right of redemption.

At 105 Days Past Due Date

The Association's attorney or trustee will initiate foreclosure proceedings and/or an action for personal judgment. The initial cost to commence foreclosure is \$400.00. The property owner is responsible for this cost and any other additional collection fees. Once a matter is turned over to the Association attorney, you will receive notification from them regarding the amounts owed. At this point, the amount listed on the Association generated assessment statement will not be fully accurate because it will not contain the additional fees and costs. Once legal collection proceedings have begun, all correspondence/payments or telephone communications will be referred to the Association attorney's office.

All costs incurred by the foregoing actions are a charge to the account of the delinquent property owner and are subject to change. Collection proceedings will be terminated only after both Association assessments and all collection and legal fees have been received.

If a lawsuit or foreclosure procedure is initiated by the Association to recover delinquent assessments, or if the Association is forced to defend an action brought by an owner to contest assessments and/or related charges, the Association is entitled, by its CC&Rs and by law (Civil Code Section 5650), to recover from the homeowner not only the amount in default, plus late charges, but also reasonable costs of collection, including title company charges and attorney fees.

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the *Civil Code* indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. **(Sections 5700 through**

Newport Hills Community Association 2019 Assessment Collection Policy

5720 of the Civil Code)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged

by a member or a member's guests, if the governing documents provide for this. **(Section 5725 of the Civil Code)**

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. **(Section 5675 of the Civil Code)**

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. **(Section 5660 of the Civil Code)**

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. **(Section 5685 of the Civil Code)**

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. **(Section 5655 of the Civil Code),**

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate

Newport Hills Community Association
2019 Assessment Collection Policy

a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. **(Section 5685 of the Civil Code)**

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a timeshare may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist. **(Section 5665 of the Civil Code)**

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. **(Section 5666 of the Civil Code)**

ALTERNATIVE DISPUTE RESOLUTION SUMMARY

Effective January 1, 2005, California *Civil Code* Sections 5925 through 5965 require community associations and their homeowners to offer to participate in some form of Alternative Dispute Resolution (“ADR”) prior to initiating certain types of lawsuits in superior court. ADR means mediation, arbitration, conciliation, or other nonjudicial procedure that involves a neutral party in the decision making process. ADR may either be binding or non-binding, as may be agreed to by the parties. This Summary of the ADR statutes is being distributed as required by California *Civil Code* Section 5965.

I. When ADR Must be Offered Prior to Initiating Enforcement Action:

An association or an owner may not file certain lawsuits in superior court unless an effort has been made to submit the dispute to ADR as required by law. Generally, ADR must be offered before filing a civil action or proceeding that seeks:

- A. A judicial declaration of the rights and responsibilities of the parties, only; or
- B. A writ of mandate or a writ of prohibition, only; or
- C. Permanent injunctive relief only; or
- D. Declaratory relief, writ relief, or injunctive relief, combined with a claim for monetary damages of five thousand dollars or less

It is not necessary to offer ADR prior to filing any other type of superior court action, or prior to filing any type of small claims action. Except as otherwise provided by law, the ADR requirement does **not** apply to an assessment dispute.

II. Compliance Procedures:

The ADR process is initiated by one party serving all other parties with a “Request for Resolution,” which shall include the following:

- A. A brief description of the dispute between the parties;
- B. A request for ADR;
- C. When directed to an owner, the request must be accompanied by a copy of the ADR statutes;
- D. A notice to all parties that they are required to respond within 30 days of receipt, or else the offer of ADR is deemed rejected; and

Service of the Request must be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the intended recipient actual notice of the Request. If the Request is accepted, ADR must be completed within 90 days of the receipt of the acceptance, unless the parties sign a written agreement extending the completion date.

The cost of ADR is to be borne by the parties. Unless the parties agree, no oral or written evidence or statements made in an ADR proceeding, other than an arbitration proceeding, are admissible as evidence in a later lawsuit.

Each homeowner should consult with his or her own attorney regarding appropriate compliance with the ADR statutes.

III. Failure to Participate in Some Form of ADR Prior to Enforcement Action:

Should a party unreasonably refuse to participate in ADR before the lawsuit is filed, the court may, in its discretion, take this refusal into consideration in determining the amount of attorneys' fees and costs ultimately awarded at trial. In accordance with the disclosure requirement of California *Civil Code* Section 5965, please be advised that:

“Failure of a member of the Association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member’s right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law”

IV. Association’s Policy Regarding Internal Dispute Resolution:

In accordance with the California *Civil Code* Sections 5900 through 5920, a fair, reasonable, and expeditious procedure exists for resolving disputes between the Association and an owner involving their rights, duties, or liabilities under the Davis-Stirling Common Interest Development Act, the Nonprofit Mutual Benefit Corporation Law, or the Association’s governing documents. The procedure supplements, but does not replace, the ADR process summarized above. The statutory procedure is as follows:

- A. Either party may request the other, in writing, to meet and confer. While a homeowner may refuse a request to meet and confer, the Association may not refuse a homeowner’s request to meet and confer.
- B. The Board shall designate a member of the Board to meet and confer with the owner.
- C. The parties shall meet promptly at a mutually convenient time and place to explain their positions and confer in good faith in an effort to resolve the dispute.
- D. A resolution of the dispute shall be memorialized in writing and signed by the parties.
- E. An agreement reached using this procedure binds the parties and is judicially enforceable if it is not in conflict with law or the governing documents and the agreement is either consistent with the authority granted by the Board of Directors to the Board member who met with the owner, or if the agreement is ratified by the Board.
- F. An owner may not be charged a fee to participate in the process.

NEWPORT HILLS COMMUNITY ASSOCIATION

INSURANCE NOTIFICATION

NOVEMBER 2018

The Association carries the following Insurance Policies for the common area.

PROPERTY INSURANCE

The Association maintains a blanket policy of fire and casualty insurance with Philadelphia Indemnity Insurance Company for the common area property owned by the Association. The policy limits are \$1,535,000.0 There is a \$2,500.00 (twenty-five hundred dollar) deductible.

GENERAL LIABILITY POLICY

The Association maintains a policy of public liability and property damage insurance with Philadelphia Indemnity Insurance Company, which insures the Association and each member of the Association against liability incident to the ownership and use of the Common Area. The policy limits are \$1,000,000.00 (one million dollars) per occurrence and \$2,000,000.00 (two million dollars) annual aggregate for claims of death, personal injury and property damage arising out of a single occurrence. There is no deductible. There is a \$5,000,000.00 (five million dollar) umbrella liability policy with Fireman's Fund Insurance Company

FIDELITY COVERAGE

The Association does maintain a fidelity bond with Liberty Mutual Insurance. The policy limits are \$1,000,000.00 (one million dollars) with a deductible of \$5,000.00 (five thousand dollars).

DIRECTORS AND OFFICERS COVERAGE

The Association does maintain Directors and Officers insurance with Philadelphia Indemnity Insurance Company. The policy limits are \$1,000,000.00 (one million dollars) with a deductible of \$5,000.00 (five thousand dollars). There is a \$5,000,000.00 (five million dollar) umbrella policy with Fireman's Fund Insurance Company for Directors and Officers insurance.

EARTHQUAKE AND FLOOD COVERAGE

The Association does maintain earthquake insurance for the clubhouse with Palomar Specialty Insurance. The policy limits are \$1,239,000.00. There is a 5% deductible for the clubhouse and other covered items.

CAUTIONARY NOTE

This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies.

Newport Hills Community Association
Assessment and Reserve Funding Disclosure Summary
For the fiscal year ending 12/31/19
 ("Disclosure Summary")

The notes at the end of this Disclosure Summary should be read in conjunction with the information provided.

(1) The regular assessment for the 2019 fiscal year per ownership interest is \$654.00 semi-annually or \$1,308.00 annually.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ____ of the attached report.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the association's Board of Directors (the "Board") and/or members:

Date assessment will be due:	Amount per ownership interest per month or year (If assessments are variable, see note immediately below):	Purpose of the assessment:
N.A.		

Total: _____

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ____ of the attached report.

(3) Based upon the most recent reserve study, dated 9/15/17, and other information available to the Board of Directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes X No _____

(4) If the answer to #3 is "no," what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not been approved by the Board or the members?

Approximate date assessment will be due:	Amount per ownership interest per month or year:
N.A.	

Total: _____

Newport Hills Community Association
Assessment and Reserve Funding Disclosure Summary
For the fiscal year ending 12/31/19
 ("Disclosure Summary")

(5) All major components are included in the reserve study and are included in its calculations. However, the following major assets are excluded from the reserve study calculations for the following reasons:

Major asset:	Reason this major asset was not included:
N.A.	

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$1,239,602.00**, based in whole or in part on the last reserve study or update prepared by Advanced Reserve Solutions, Inc. as of 1/1/19. The projected reserve fund cash balance at the end of the current fiscal year is **\$1,232,945.00**, resulting in reserves being **99.46%** funded at this date. The current deficiency in the reserve fund represents **\$12.52** per ownership interest.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, a reserve funding plan has been developed – see the attached projections. The assumed long-term before-tax interest rate earned on reserve funds is **1.5%** per year and the assumed long-term inflation rate applied to major component repair and replacement costs is **2.5%** per year. Full reserve study available upon request.

NOTES:

(A) The financial representations set forth in this summary are based on the best estimates of the preparer and the Board at that time. The estimates are subject to change. (B) For the purposes of understanding this Disclosure Summary: (1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement. (2) "Major component" has the meaning used in Section 55530. Components with an estimated remaining useful life of more than 30 years may be included in the study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary. (3) The form set out in subdivision (a) shall accompany each annual budget report or summary thereof that is delivered pursuant to Section 5300. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided. (4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the Board to fund reserves in accordance with this calculation. (5) Based on reserve studies or the occurrence of one or more unanticipated events, the Board could increase regular assessments and/or levy special assessments, consistent with the provisions of the CC&Rs and applicable law, to fund additional reserves as it deems necessary. For example, the information contained in this Disclosure Summary includes (i) estimates of replacement value and life expectancies of the components and (ii) assumptions regarding future events. Estimates are projections of a future event based on information currently available and are not necessarily indicative of the actual future outcome. The longer the time period between the estimate and the estimated event, the more likely the possibility of error and/or discrepancy. For example, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the preparation of this Disclosure Summary. Therefore, the actual replacement cost and remaining life may vary from this report and summary and the variation may be significant. Additionally, inflation and other economic events may impact this report and summary, particularly over an extended period of time (such as thirty (30) years) and those events could have a significant and negative impact on the accuracy of this Disclosure Summary and, further, the funds available to meet the association's obligation for repair and/or replacement of major components during their estimated useful life.

Newport Hills Community Association

Notice of Summary of Architectural Control Procedures (Civil Code Section 4765)

The California Civil Code requires the Association to publish a notice annually that describes the types of architectural changes that require Association approval. This Summary of Architectural Control Procedures has been prepared for that purpose. This is only a summary, and Owners are therefore requested to refer to the Association's Amended and Restated Declaration of Covenants, Conditions and Restrictions ("CC&Rs") and to the Association's Rules and Regulations, Architectural and Landscape Standards and Policies ("Architectural Standards"), and the Association's other governing documents for additional and more detailed architectural improvement related information. If you have questions about whether Association approval is required for what you have planned, or about whether there are any standards, guidelines, or requirements for the type of improvement you wish to construct or install, please contact management *before* you start work.

A. No Exterior Additions and Changes without Prior Approval. No construction, installation, demolition, grading, excavation, import of fill dirt, or alteration of an Improvement (as defined in the CC&Rs) to (a) the exterior of a Dwelling Unit, (b) the front yard portions of a Lot, including landscaping, or (c) the rear yard of a Lot if the Improvement as constructed, installed, or altered would generate excessive or annoying odors or noises (e.g., air conditioning compressors, pool or spa equipment, sports courts) or exceeds (or in the case of landscaping Improvements, at maturity would exceed) six feet (6') in height above finished grade level, may be commenced or maintained until the plans and specifications therefore showing the nature, kind, shape, height, width, color, materials and location thereof have been submitted to and approved in writing by the Architectural Review Committee ("ARC"). (CC&Rs Article VIII, Section 8.2.)

The CC&Rs and Architectural Guidelines broadly define the term "Improvement" as including any structure or appurtenance thereto, including, but not limited to, buildings, accessory buildings, garage, pool houses, outbuildings, outdoor fireplaces, outdoor kitchens, built-in barbecues, swimming pool, spa or hot tub, recreational apparatus, walkways, sprinkler pipes, carports, recreational facilities, roads, driveways, parking areas, fences, screening walls, block walls, retaining walls, stairs, decks, landscaping, antennae, satellite dish, the paint on all exterior surfaces, hedges, windbreaks, windscreens, patio covers, gazebo, deck, trellis, railings, plantings, planted trees and shrubs, poles, signs, storage areas, exterior lighting, mailbox, fountains, exterior air conditioning and water softening fixtures or equipment, solar energy system, mechanical equipment, or sound system.

B. Board Approval Requirement. In addition to ARC approval, modifications or additions affecting the Common Area (including, without limitation, improvements requiring access over Common Area for construction purposes or otherwise impacting Common Area) also require prior written approval from the Board of Directors.

C. Submission Procedures/Plan Requirements. An Owner's architectural application shall be submitted only on the Association's Application for Architectural Committee Approval form ("Application") and shall be submitted only to the Association's managing agent at the Association's management office located in the Association's Clubhouse, 1900 Port Carlow Place, Newport Beach.

Architectural Application forms and documents shall not be submitted directly to any Association Director, Officer, or Committee member. The Application shall include all the information required under the Architectural Guidelines, including, without limitation, the following: (i) Application and Agreement form signed by the Owner (not an agent), (ii) three (3) copies of the completed Application, (iii) three (3) complete sets of the Owner's plans and specifications, (iv) a sample of non-pre-approved materials, color samples, and/or catalog sheets describing non-pre-approved materials, finishes, and/or colors, (v) a completed and signed Neighbor Awareness Form identifying all facing, adjacent, and impacted neighbors; (vi) the applicable application fee and deposit as set forth in the Architectural Guidelines, (vii) for any improvements requiring City approval, a copy of City approval or evidence that City approval has been applied for regarding any improvements requiring City approval, and (ix) an estimated completion date.

The plans and specifications (all plans shall be to scale and presented on sheets at least 24" x 36") shall show the nature, kind, shape, color, size, materials, and location of the proposed Improvements or alterations, shall be prepared in accordance with applicable building codes, and shall provide all information required in the Architectural Guidelines, including, without limitation: (i) a plot plan (including, without limitation, depictions of existing Improvements and locations of proposed Improvements), (ii) grading plan, (iii) roof plan, (iv) floor plan, (v) elevations, (vi) fence and wall plans, (vii) landscaping and hardscape plans, (viii) pool plan, (ix) mechanical and solar energy plans, (x) exterior colors and finishes, and (xi) such additional documents and/or information as the ARC may reasonably request. In the case of construction projects, the plans and specifications shall be prepared and signed by an architect licensed in California, and, in the case of landscaping and patio cover improvements, the plans shall be prepared and signed by a landscape architect licensed in California, unless the ARC waives this requirement in writing. The ARC may require such detail in plans and specifications submitted for its review as the ARC deems proper. In addition, the ARC may require the Owner to submit an application fee and/or advance deposit, which may be applied, if necessary, to any expenses the Association incurs in connection with reviewing the application and the work performed.

Applicants for new home construction or a major remodel must schedule an initial design meeting with the ARC to discuss the Owner's conceptual objectives before submitting Preliminary Plans. All Applicants must submit Preliminary Plans, which, if acceptable, will be given a Tentative Acceptance which is valid for one year, during which time the Applicant must submit fulfill all contract and construction deposit requirements, and thereafter, the Applicant may submit the Final Plan Submittal and project schedule, all as described in the Architectural Standards.

D. Approval Criteria. Approval may be based upon, among other things, the following factors: (i) that the installation, construction, or alterations contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area or the Properties as a whole, (ii) the appearance of any structure affected thereby will be in harmony with the surrounding structures, (iii) the installation, construction, or alteration thereof will not detract from the beauty, wholesomeness, and attractiveness of the Common Area and Association Maintenance Areas or the enjoyment thereof by the Members, (iv) the maintenance thereof will not become a burden on the Association, (v) aesthetic considerations, (vi) consistency with the CC&Rs, (vii) the overall benefit or detriment which would result to the immediate vicinity and the Properties generally, (viii) consideration of the aesthetic aspects of the design, placement, landscaping, color schemes, exterior finishes, materials, and similar

features, (ix) limitations on maximum square footage of structures, (x) limitations on height of structures, (xi) minimum setback requirements from property lines, (xii) prohibition against use of artificial turf and artificial plants, (xiii) custom homes shall be designed carefully and as “whole buildings,” (xiv) massing, form, context, composition, neighborhood scale, (xv) homes abutting Newport Hills Drive must be either entirely one story or have an elevation that steps down to one story on the major portion of the side of the dwelling facing Newport Hills Drive; (xvi) consideration may be given to design features so as to reduce unnecessary intrusion on the privacy of neighbors; provided, however, this factor shall not be deemed to create a right of privacy for neighbors with respect to any architectural Improvements; and (xvii) conformity with such rules, regulations, and guidelines the ARC and/or Board have adopted or may adopt. (CC&Rs, Article VIII, Sections 8.2 & 8.7.) Variances may be requested in cases of unusual hardship, in accordance with the Architectural Standards. The ARC may retain the services of a consulting architect to assist with its review, and in such cases the Applicant shall be responsible for the costs of the consulting architect, which may be deducted from the architectural review deposit.

Pursuant to Civil Code Section 4765, a proposed architectural change may not violate any governing provision of law, including, but not limited to, the Fair Employment and Housing Act (Part 2.8 (commencing with Section 12900) of Division 3 of Title 2 of the Government Code), or a building code or other applicable law governing land use or public safety (collectively, “Laws and Codes”). Neither the Association’s managing agent, the Board, nor the ARC and Consulting Architect reviewing an architectural application is knowledgeable of the Laws and Codes that may be applicable to the subject Improvement(s), and, therefore, neither the ARC, the Consulting Architect, the Board, nor management shall confirm compliance or noncompliance with any of the Laws and Codes as part of the review process. Accordingly, each Owner is responsible for confirming compliance with the Laws and Codes, and any approval by the ARC or the Board shall not be deemed a statement, representation, or warranty that any plans and specifications are in compliance with the Laws and Codes.

E. Decision Timing. The ARC shall notify the Owner of its decision on the Application within thirty (30) days after the first regularly scheduled and held ARC meeting following the date the ARC receives all materials required; provided, however, until the ARC receives all required information, complete plans and specifications, and other Application documents, fees, and deposits, the Application is not deemed complete, and the time period for the ARC’s review of the Application does not commence. (CC&Rs, Article VIII, Section 8.2, Architectural Standards Section 2.3.1.) No purported oral or verbal approval of the ARC or the Board shall be permitted or effective, and any approval, to be binding upon the ARC and the Association, must be in writing. (CC&Rs, Article VIII, Section 8.2; Civil Code Section 4765.) Unless the ARC authorizes a longer period of time in writing, (i) construction must commence within six months from the date Final Approval is given; otherwise all approvals shall automatically terminate and become void, and (ii) construction shall be completed within eighteen months after receipt of ARC approval. If a project is not completed within the foregoing time period, the Board may levy a fine for the violation.

F. Disapproval/ Request for Reconsideration. If plans and specifications submitted to the ARC are disapproved, the Owner shall be advised in writing of the reason(s) for the disapproval and of the Owner’s ability to appeal to/request reconsideration by the Board of Directors. The Owner is entitled to request the Board of Directors to reconsider the ARC’s disapproval at an open meeting. The appeal/request for reconsideration shall be in writing, shall be addressed to the Board of Directors of

the Association, shall be delivered to the Association's managing agent, and must be received by the Association's managing agent not more than forty-five days (45) days following delivery to the Owner of the ARC's notice of disapproval. The term "delivery" as used herein is defined in Civil Code Section 4035.

G. Board Decision on Request for Reconsideration. The Request for Reconsideration shall be heard not more than sixty (60) days after Association's receipt of the request. Notice of the date, time, and location of the Board of Directors meeting at which the Owner's appeal/request for reconsideration shall be heard, shall be delivered to the applicant at least ten (10) days prior to the meeting. The ARC may submit evidence and recommendations concerning the application to the Board, and the Owner may submit any relevant oral or written evidence in support of his/her position. The Board of

Directors shall render its decision on the appeal/request for reconsideration and transmit its decision to the Owner within a reasonable period following the Board meeting where the appeal/request for reconsideration is heard. The Board's failure to transmit its decision to the Owner shall be deemed a decision to uphold and affirm the ARC's determination.

NEWPORT HILLS COMMUNITY ASSOCIATION

ENFORCEMENT/COMPLIANCE POLICY (Adopted January 1, 2007 and revised October 9, 2018)

1. Basic Policy on Fines and Enforcement.

An objective of this Enforcement Policy is to promote and seek *voluntary* compliance by Owners, tenants, and residents with the Newport Hills Community Association's Amended and Restated Declaration of Covenants, Conditions and Restrictions and Reservation of Easements ("CC&Rs"), Bylaws, Architectural Guidelines and Standards, and Rules and Regulations, all as amended and supplemented (collectively, "Governing Documents"), and, if necessary, compel an Owner's compliance where the Owner refuses to comply voluntarily. The Association may, in its discretion, pursue enforcement by administrative action (e.g., warning letter, hearing, fine, or other disciplinary action) or by proceedings at law or in equity. The Association may, in the Board's discretion, enforce correction of a violation of the Governing Documents by pursuing any one or combination of the remedies described below, including proceeding immediately with fine proceedings, suspension of privileges, implementing correction of the violation, Alternative Dispute Resolution, or legal action, if the Board determines such action is appropriate.

2. Reporting a Violation

A report of an alleged violation of the Association's Governing Documents may be made to the Association's managing agent by any Owner, including any Owner serving on the Board or an Association Committee, or by the managing agent. Such a report shall constitute a "complaint" and should, preferably, be in writing. The complaint should clearly state the facts and circumstances regarding the alleged violation. Action may also be taken based upon an oral report (presented by telephone or in person), and under such circumstances appropriate file documentation concerning the complaint shall be generated and maintained for future reference; provided, however, the Association, in its discretion may refuse to take action based upon only an oral (nonwritten) report.

3. Initial Courtesy Letter.

A courtesy letter may be sent by management, requesting the Owner's voluntary cooperation. Such notice shall describe the noncomplying condition, and request that the Owner correct the condition within a reasonable time specified in the notice. If the courtesy notice does not bring about voluntary compliance the Association may, as described herein, compel the Owner's compliance through the use of such remedies the Board deems appropriate and available in law or in equity, including but not limited, the imposition of fines, monetary penalties, suspension of privileges, subject to the notice and hearing conditions set forth in this Policy, and/or the pursuit of alternative dispute resolution proceedings or legal action.

4. Violation Letter/Hearing Procedures.

If a courtesy letter is sent and it is unsuccessful in remedying the noted violation, or if the Board determines, in its discretion, to proceed with a violation letter as the first notice, the Board of Directors may impose a fine and/or suspend membership privileges, after the Owner is offered an opportunity to be heard on the matter. The violation letter shall contain the following information:

(a) A brief description of the alleged violation and, in the event the correction of the alleged violation requires action such as the installation, removal, repair, replacement, reconstruction, or maintenance of improvements, the date by which such violation is to be corrected by the Owner;

(b) The disciplinary, corrective action, and/or penalties which may be imposed, such as the levying of a fine in accordance with the Fine Schedule, and/or suspension of Membership privileges; and

(c) If the Board determines to schedule a mandatory hearing, the violation letter shall provide notice of the date on which the Member shall have an opportunity to be heard by the Board to explain why a fine, corrective action, penalties, and/or suspension of Membership privileges should not be imposed. The hearing shall be held not less than thirty (30) days after the Member has received a written statement of the charges.

The date of the hearing shall be no less than ten (10) days after the date of the notice of hearing is mailed (via first class mail) or delivered to the Member; provided, however, the hearing date must be scheduled not less than thirty (30) days, after the Member has received a written statement of the charges. Any proposed fine or other disciplinary action shall be held in abeyance and shall only become effective if affirmed at the hearing. The hearing shall be conducted according to such reasonable rules and procedures as prescribed by the Board of Directors. The Member shall have the right to present oral and written evidence and to confront and cross-examine any adverse witnesses presented at the hearing. The hearing shall be conducted in Executive Session, unless the Member specifically requests in writing that the hearing be conducted during the Open Session.

Within seven (7) days after the hearing, the Board's written decision shall be mailed to the Member and shall specify the disciplinary and/or corrective actions and/or fines or penalties levied, and the reasons therefore. No disciplinary action against the Member may take effect prior to five (5) days after the hearing date. If the Member does not attend the hearing, the Member shall be deemed to have waived his/her right to a hearing and his/her right to object to the disciplinary and/or corrective actions and/or penalties the Board may impose. If the Member corrects an alleged violation prior to the hearing date, the Board shall discontinue the proceedings.

5. Preliminary Dispute Resolution ("PDR") and Alternative Dispute Resolution ("ADR").

The Association shall, as necessary, comply with the provisions of California Civil Code Sections 5900et seq. and 5925 et seq., before bringing any civil action or suit to enforce the Association's Management Documents.

6. Court Action.

The Association may file an action in law or in equity to recover monetary damages, for injunctive relief, or any other legal or equitable remedy available to the Association.

FINE SCHEDULE

Fines may be levied by action of the Board of Directors, after notice and hearing, in accordance with the Association's Enforcement/Compliance Policy and schedule below. For violation of any of the Governing Documents, the Board of Directors has the discretion to impose monetary penalties ("fines") in accordance with the following schedule, or the Board, in its discretion, may impose up to the maximum fine amount (i.e., \$1,000.00) and/or pursue other disciplinary action on a first or subsequent violation if the Board determines, in its discretion, the facts and circumstances of the violation merit such disciplinary action:

- a. 1st Offense Notice of Violation with a request to correct/ repair the deficiency; provided, however, the Board may determine to impose up to the maximum fine amount on a first offense; also, if the first offense concerns installation or construction of unapproved improvements in violation of the Association's Governing Documents, the Member may be subject to an initial fine of up to \$1,000.00, after notice and hearing; and the fine amount may continue to double for subsequent offenses (e.g., construction or continuing construction work after receipt of a cease and desist notice or other notice of violation or proceeding with other unapproved improvements, or discontinuing construction of approved improvements (i.e., failure to diligently prosecute completion of approved improvements).

- b. 2nd Offense Hearing before the Board; subject to an additional fine, which will be the greater of the fine for the first offense or \$250.00, plus request to correct/repair/commence.

- c. 3rd Offense Hearing before the Board; subject to an additional fine, which will be the greater of the fine for the second offense, or \$500.00, plus request to correct/repair/commence.

- d. 4th Offense Fines will double from the amount of fine charged on the third offense, and will continue to double thereafter for each month the violation occurs, plus request to correct/repair.

Note: Fines will continue to double with each repetition of the offense.

The Board of Directors will determine an appropriate period of time for curing of violations.

Note: If a violation occurs which causes damages to common area or otherwise imposes a financial obligation or liability upon the Association, the responsible Member for said violation shall reimburse the Association, by way of a special assessment, for the cost to repair the damages or for the financial obligation, in addition to any fines that may be levied. Example: damage to a common area fence, and/or any other Association Property; repair and replacement cost will be charged to the responsible Member.

LEGAL ACTION FINE SCHEDULE

- Legal Action – Violation of Governing Documents involving issuance of Cease and Desist Notice or other action by Association's legal counsel.

 Hearing before the Board; and owner shall be subject to an initial fine of up to \$1,000.00. Immediate legal action may be taken against any Member that fails to abide by a Cease and Desist Notice.

**ANNUAL POLICY STATEMENT
(Civil Code §5310)**

1.	Designated Recipient. The name and address of the person designated to receive official communications to the association, pursuant to Section 4035, is Newport Hills Community Association, c/o Jill Schwalbe, 1900 Port Carlow Place, Newport Beach, CA 92660.
2.	Right to Notice to Two Addresses. A member may opt to have notices sent to up to two different specified addresses, upon written request to the association's management company. In addition, in compliance with Civil Code §4041 all owners may complete an Annual Notice of Address, Representative and Rental Status form, where they may indicate as many as three addresses for Association mailing purposes.
3.	General Notice Location. General notices (pursuant to Civil Code §4045(a)(3)) will be posted on the bulletin board(s) located at the pool deck at 1900 Port Carlow Place, Newport Beach, CA 92660.
4.	Right to Individual Delivery. Notwithstanding item #3 above, a member may opt to receive general notices by individual delivery, pursuant to Civil Code §4045(b), upon written request to the association's management company.
5.	Right to Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of any board meeting, other than an executive session, shall be available to members within 30 days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any member upon request to the association's management company, and upon reimbursement of the association's costs for making that distribution.
6.	Collection Policy. The association's <i>Assessment Collection Policy</i> is included in the 2019 Annual Budget explaining the association's collection procedures.
7.	Lien Policy. The association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments are included in the attached Assessment Collection Policy, which is part of the 2019 Annual Budget Report.
8.	Rules Enforcement Policy. The association's policy concerning discipline of members, including the schedule of penalties for violations of the governing documents, is included in the 2019 Annual Budget.
9.	Dispute Resolution Procedures. A copy of the association's Internal Dispute Resolution (IDR) policy and Alternative Dispute Resolution (ADR) policy is included in the 2019 Annual Budget. Failure of a member of the association to comply with the alternative dispute resolution requirements of Civil Code §5930 may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or applicable law.
10	Architectural. A summary of the requirements for association approval of a physical change to property pursuant to Civil Code §4765 is included in the 2019 Annual Budget.
11	Overnight Payments. The mailing address for overnight payment of assessments is: Newport Hills Community Association, 1900 Port Carlow Place, Newport Beach, CA 92660.